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DE RUEHTV #0080 0141615
ZNR UUUUU ZZH
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FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC PRIORITY 4967
INFO RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEHXX/ARAB ISRAELI COLLECTIVE

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SIPDIS

NEA FOR FRONT OFFICE. NSC FOR SHAPIRO/KUMAR. JOINT STAFF
FOR LTGEN SELVA, JERUSALEM PASS AMB. HALE

E.O. 12958: N/A

TAGS: [PREL](#) [KWBG](#) [IS](#)

SUBJECT: CONSTRUCTION MORATORIUM: COMPENSATION UPDATE

¶1. (U) On January 11, the Finance Ministry announced that it had earmarked an initial NIS 30 million to compensate those who invested in residential building projects in the West Bank and are now facing financial losses due to the GOI's moratorium order. This sum is expected to rise as homebuyers and contractors, who are prevented from starting or continuing construction, begin to file claims with the MOD's compensation committee. Last month, discussions in the Knesset's finance subcommittee suggested that financial damages likely could reach NIS 500 million, and potentially as high NIS 1 billion. Settlers and would-be-settlers who took out mortgages to purchase land and finance construction were initially slow to seek compensation, preferring first to challenge the legality of the moratorium in the hopes of overturning the order. However, as they continue to make mortgage payments without construction progress, calls for compensation have intensified.

¶2. (U) Central Bureau of Statistics data reveals that the number of new housing starts in the West Bank, particularly private starts, spiked considerably in the third quarter of 2009, as settlers sensed the impending moratorium and rushed to begin construction so as to be grandfathered into any agreement. (Note: CBS data shows that overall, new starts in the west Bank fell 27.6 percent in the first 9 months of ¶2009. End note.) However, the GOI's stipulation that only projects with a poured concrete foundation could continue left many with significant sunken costs. In an early December meeting with Congen Poloff and Embassy Econoff, Rabbi Meir Rubinstein, mayor of the Beitar Ilit settlement, estimated that as much as 30 percent of construction costs are incurred preparing the rocky West Bank ground prior to pouring a foundation.

¶3. (U) Since the implementation of the moratorium in late November 2010, the GOI has faced significant internal criticism in the Knesset, the courts, and in public forums, for failing to devise an accompanying compensation mechanism or to secure a compensation budget. In Knesset meetings on the subject, MKs from all parties have heatedly chastised the GOI. In a 21 December Finance Committee meeting, MKs Uri Ariel (National Union) and Moshe Gafni (United Torah Judaism) froze the transfer of NIS 500 million to the MOD, vowing not to release the funds until the MOD created a Compensation Committee, as required by the original moratorium order. Two days later, Israel's High Court of Justice lambasted the GOI's handling of the situation, and ordered State's attorneys to provide clarification on the compensation issue within 30 days. The MOD has since established the compensation committee, but has yet to publish the procedural rules and eligibility criteria for filing claims.
CUNNINGHAM